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C O N F I D E N T I A L SECTION 01 OF 02 COLOMBO 000924

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DEPARTMENT FOR SA, SA/INS, INR/NESA
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LONDON FOR POL/RIEDEL

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SUBJECT: COHABITATION TEMPER CONTINUE TO FLARE OVER
CONTROL OF NATIONAL LOTTERIES BOARD

Refs: Colombo 897, and previous (Notal)

(U) Classified by Lewis Amselem, Deputy Chief of Mission.
Reasons: 1.5 (b, d).

1. (C) SUMMARY: Cohabitation tempers continue to flare over the control of the national lotteries board. In hard-hitting letters made public this week, President Kumaratunga has again asserted that her office should control the board. The government, which remains in de facto control of the board, continues to reject her claim. The test of wills over the issue does not seem to be going away soon. END SUMMARY.

2. (SBU) PRESIDENT SENDS LETTERS: Cohabitation tempers continue to flare over control of the national lotteries board. (Note: In early May, the president issued an order taking over the lucrative Development Lotteries Board, "DLB," from the government. The government refused to honor the president's order and remains in de facto control of the board -- see Reftels.) In her latest moves on the issue, the president issued two letters that were made public this week. In a hard-hitting letter to Prime Minister Wickremesinghe, she reiterated her view that she had the right to take over the board and that her decision must be honored by the government. Without going into specifics, she went on to threaten to take "necessary corrective action" if she did not receive an appropriate reply from the PM. In addition, in a separate letter to the head of the DLB, the president demanded that the board stop disbursing funds and stop hiring personnel.

3. (SBU) GOVERNMENT HOLDS TO ITS POSITION: The government is preparing its formal response to the president's letters. It has already made clear, however, that it continues to reject her claims. In May 29 remarks during his weekly press conference, chief government spokesman and Minister of Constitutional Affairs G.L. Peiris insisted that the president had not acted appropriately per the Sri Lankan Constitution in trying to take over the board.

4. (SBU) Citing an advisory opinion by the Attorney General, Peiris went on to explain that it was clear that President Kumaratunga had failed to "consult" with the GSL in a correct fashion before issuing her order and, thus, the order was null-and-void. (Note: The Attorney General's advisory opinion was issued in early May during the first days of the confrontation over control of the board -- see Reftels. In another aspect of its legal positioning, the GSL has underlined that the president's order was never published in the official gazette as is required -- a fact attributable sheerly to the pressure the GSL has put on the official printing office not to do so. End Note.) Peiris stressed that the government wanted to see the whole matter settled amicably and through "discussion and consultation."

5. (C) NEXT STEPS: Next steps in the confrontation over the board are not precisely clear. The ball appears to be in the president's court at this point, inasmuch as the government has already made clear that it will continue to defy her order despite her latest missives. Contacts note that one option for Kumaratunga is to take the matter to the legal system and charge the government with violating Sri Lanka's complicated rules on executive/legislative powers.

6. (C) Reflecting on this possibility, Taranjit Sandhu, polchief at the Indian High Commission, told us that he thought the president might be reluctant to do this because Sri Lanka's legal system is notoriously volatile and she may be afraid of an adverse decision. (Note: The lower courts in Sri Lanka's legal system probably tilt basically toward the United National Front governing coalition. The Supreme Court and its chief justice, however, are relatively friendly to the president, but not all cases wend their way there.) Sandhu remarked that he was concerned that the matter would continue to boil, with the president and the government getting

increasingly angry. All of this would be to the detriment of already strained cohabitation ties, he noted.

17. (C) COMMENT: The test of wills over the DLB issue does not seem to be going away soon. There is little sign of either the president or the government backing down from their respective hard-line stands. For the GSL, the confrontation over the matter continues to be a serious irritant, especially as it is focusing most of its efforts toward trying to revive the stalled peace process (and is dealing with the unpredictable Tamil Tigers as it does so). For Kumaratunga, the issue is another arrow in her quiver that tends to prove her long-time contention that the government has no intention of treating her with respect. These arrows might come in useful as a pretext if she decides to dismiss the government and call new elections down-the-road. END COMMENT.

18. (U) Minimize considered.

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